

**TOWNSHIP OF CARP LAKE
ONTONAGON COUNTY
FINANCIAL REPORT
With Supplemental Information**

March 31, 2005

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Carp Lake Township	County Ontonagon
Audit Date 3/31/2005	Opinion Date 12/23/2005	Date Accountant Report Submitted to State: 1/10/2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).	x		

Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC			
Street Address 1445 East Cloverland Drive	City Ironwood	State MI	ZIP 49938
Accountant Signature 			

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Roger J. Kolehmainen CPA PC

1445 East Cloverland Drive

Ironwood, MI 49938

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Carp Lake Township
White Pine, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carp Lake Township, Ontonagon County, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate remaining fund information of Carp Lake Township as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting and Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 23, 2005, on our consideration of Carp Lake Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other financial information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Carp Lake Township. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
December 23, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP
Year ended March 31, 2005

Management's Discussion and Analysis

This section of Carp Lake Township's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2005. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2005. This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The new statement that have not been required or provided in past years but are now required based on government auditing and accounting standards. The statement report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS CARP LAKE TOWNSHIP

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains three governmental funds. Information is presented separately in the government fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund (considered a major fund) and the Township's Special Revenue Funds and Capital Project Fund (considered a non-major funds).

Individual fund data for each fund is presented separately in the "Other Financial Information" section of this report.

The Township adopts an annual budget for its general and special revenue funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Other Financial Information" section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP

Proprietary Funds

Proprietary Fund provides services for which the Township charges customers a fee. The Township has one proprietary fund types- enterprise fund. The Township's enterprise fund is used to report the same functions as the business-type activities in the government-wide financial statements. The Sewer Fund is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary funds for the Township are the Tax Collection Fund, Trust and Agency Fund and Pension Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

Government-wide Financial Statements-Condensed Financial Information

Statement of Net Assets

The following table shows the March 31, 2005, condensed statement of net assets with a detailed analysis of the statement below.

	Governmental	Primary Government	
	Activities	Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and other assets	\$316,233	\$66,710	\$382,943
Other assets	59,476	106,755	166,231
Non-current Assets			
Restricted cash	20,131	139,192	159,323
Capital Assets, net	42,903	5,490,065	5,532,968
TOTAL ASSETS	<u>\$438,743</u>	<u>\$5,802,722</u>	<u>\$6,241,465</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP

	Governmental	Primary Government Business-Type	
LIABILITIES	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Liabilities	\$52,630	\$33,016	\$85,646
Non-current Liabilities	37,465	1,535,000	1,572,465
TOTAL LIABILITIES	\$90,095	\$1,568,016	\$1,658,111
NET ASSETS			
Investment in capital assets net of related debt	\$42,903	\$3,939,065	\$3,981,968
Restricted	20,131		20,131
Unrestricted	285,614	295,641	581,255
TOTAL NET ASSETS	\$348,648	\$4,234,706	\$4,583,354
TOTAL LIABILITIES AND NET ASSETS	\$438,743	\$5,802,722	\$6,241,465

For governmental activities, net assets increased by \$55,171 during the fiscal year. For business-type activities, net assets increased by \$2,909,075, mostly due to capital contributions of \$2,947,546 received during the year.

Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the year ended March 31, 2005.

	Governmental	Primary Government Business-Type	
REVENUES	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Program Revenue:			
Charges for services	\$6,720	\$151,752	\$158,472
General Revenue:			
Property taxes	56,170		56,170
Other income	19,268	12,399	31,667
Unrestricted grants	73,361		73,361
Restricted grants	78,056	2,947,546	3,025,602
Total Revenue	\$233,575	\$3,111,697	\$3,345,272

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP

EXPENSES:	Governmental <u>Activities</u>	Primary Government Business-Type <u>Activities</u>	<u>Total</u>
General Government	\$69,241		\$69,241
Public Safety	21,068		21,068
Public Works	60,109		60,109
Recreation and Culture	24,395		24,395
Other Expenses	3,591		3,591
Total Expenses	\$178,404	\$	\$178,404
Business-Type Activities:			
Water & Sewer Expenses		\$202,622	\$202,622
Increase (Decrease) in Net Assets	\$55,171	\$2,909,075	\$2,964,246
Net Assets, Beginning of Year	293,477	1,325,631	1,619,108
Net Assets, End of Year	\$348,648	\$4,234,706	\$4,583,354

Governmental Activities

Property taxes, Federal and State Shared revenues comprise \$207,587 or approximately 89 percent of total governmental revenues. The Township also collected \$6,720 for services provided and \$9,209 in the sale of assets.

The Township expended \$178,404 on governmental programs and services. Some of the largest expense categories were for general government and public works where \$69,241 (39%) and \$60,109 (34%), respectively, were reported.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP

Business-Type Activities

Business-type activities was increased the Township's net assets by \$2,909,075. Charges for services for sewer activities for the year were \$153,679, whereas, grant capital contributions amounted to \$2,947,546, and expenditures amounted to \$202,622.

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved net assets balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's governmental funds reported combined ending net asset balances of \$348,648 of which \$63,034 is reserved or related to investment in capital assets, leaving a remaining balance of \$285,614 for spending at the government's discretion.

On the budgetary basis of accounting, the Township ended the year with revenue 17% greater than the budget and expenditures 13% less than the budgeted amount. Significant positive revenue variances were recorded for property taxes and State Shared Revenues.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund as of March 31, 2005 were \$295,641.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2005 was \$5,532,968.

Major capital expenditures for governmental funds were for Township's fire department and township property equipment, whereas, the proprietary fund was for lagoon and system improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

While the lagoon construction work was proceeding, one of the main contractor's filed suit (May 2005) against the Township in Circuit Court for additional quantities and efforts alleged to complete the proposed scope of work. The Township engaged legal representation in protecting its contractual rights and obligations and to ensure completion.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Carp Lake Township
PO Box 397
White Pine, MI 49971

**CARP LAKE TOWNSHIP
STATEMENT OF NET ASSETS**

March 31, 2005

	<u>Government Activities</u>	<u>Business – type Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$316,233	\$66,710	\$382,943
Accounts receivable-net	47,998	84,151	132,149
Delinquent taxes receivable	2,298		2,298
Due from other funds	3,169		3,169
Accrued interest income	673		673
Deferred charges	5,338	4,360	9,698
TOTAL CURRENT ASSETS	\$375,709	\$155,221	\$530,930
RESTRICTED ASSETS:			
Restricted cash	20,131	139,192	159,323
NON-CURRENT ASSETS:			
Capital assets	46,586	5,895,479	5,942,065
Accumulated depreciation	(3,683)	(405,414)	(409,097)
Loan acquisition costs-net		18,244	18,244
TOTAL NON-CURRENT ASSETS	42,903	5,508,309	5,551,212
TOTAL ASSETS	\$438,743	\$5,802,722	\$6,241,465
LIABILITIES			
Current Liabilities:			
Accounts payable	\$44,874	\$5,457	\$50,331
Accounts payable – construction		9,646	9,646
Accrued wages/taxes	3,474	1,039	4,513
Due to other funds		874	874
Current maturity on long-term debt	4,282	16,000	20,282
TOTAL CURRENT LIABILITIES	\$52,630	\$33,016	\$85,646
NON-CURRENT LIABILITIES			
Bonds payable		1,551,000	1,551,000
Loan payable	41,747		41,747
Current maturity on long-term debt	(4,282)	(16,000)	(20,282)
TOTAL NON-CURRENT LIABILITIES	\$37,465	\$1,535,000	\$1,572,465
TOTAL LIABILITIES	\$90,095	\$1,568,016	\$1,658,111
NET ASSETS			
Investment in capital assets, net of related debt	\$42,903	\$3,939,065	\$3,981,968
Reserved	20,131		20,131
Unreserved	285,614	295,641	581,255
TOTAL NET ASSETS	\$348,648	\$4,234,706	\$4,583,354
TOTAL LIABILITIES AND NET ASSETS	\$438,743	\$5,802,722	\$6,241,465

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended MARCH 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) Revenue
Governmental Activities			
General government	\$69,241	\$1,900	(\$67,341)
Public safety	21,068	4,820	(16,248)
Public works	60,109		(60,109)
Recreation and culture	24,395		(24,395)
Other	3,591		(3,591)
Total Governmental Activities	\$178,404	\$6,720	(\$171,684)
Business-type Activities			
Sewer	202,622	153,679	(48,943)
Total Business – type Activities	\$202,622	\$153,679	(\$48,943)
Total	\$381,026	\$160,399	(\$220,627)
Changes in Net Assets			
	<u>Governmental Activities</u>	<u>Business – type Activities</u>	<u>Total</u>
Net (Expense) Revenue	(\$171,684)	(\$48,943)	(\$220,627)
General Revenues:			
Property taxes	56,170		56,170
Federal Shared revenues	44,832		44,832
State-Shared revenues	106,585		106,585
Investment income	4,434	1,272	5,706
Capital contributions		2,947,546	2,947,546
Sale of assets	9,209	9,200	18,409
Other revenues	4,539		4,539
Transfers	1,086		1,086
Total General Revenues and Transfers	\$226,855	\$2,958,018	\$3,184,873
Changes in Net Assets	\$55,171	\$2,909,075	\$2,964,246
Net Assets at Beginning of Year	293,477	1,325,631	1,619,108
Net Assets at End of Year	\$348,648	\$4,234,706	\$4,583,354

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS

March 31, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$164,013	\$152,220	\$316,233
Accounts receivable-net	17,998	30,000	47,998
Delinquent taxes receivable	2,298		2,298
Due from other funds	3,169	1,477	4,646
Accrued interest income	605	68	673
Deferred charges	5,338		5,338
TOTAL CURRENT ASSETS	\$193,421	\$183,765	\$377,186
NON-CURRENT ASSETS			
Restricted cash	20,131		20,131
TOTAL NON-CURRENT ASSETS	20,131		20,131
TOTAL ASSETS	\$213,552	\$183,765	\$397,317
LIABILITIES			
Current Liabilities			
Accounts payable	\$12,261	\$32,613	\$44,874
Accrued wages/taxes	3,474		3,474
Due to other funds	1,477		1,477
TOTAL CURRENT LIABILITIES	\$17,212	\$32,613	\$49,825
TOTAL LIABILITIES	\$17,212	\$32,613	\$49,825
FUND BALANCES			
Reserved	20,131		20,131
Unreserved	176,209	151,152	327,361
TOTAL FUND BALANCES	\$196,340	\$151,152	\$347,492
TOTAL LIABILITIES AND FUND BALANCES	\$213,552	\$183,765	\$397,317

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balances for Governmental Funds	\$347,492
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of:	42,903
Long-term liabilities, loan payable that is not due and payable in the current period and therefore are not reported in the funds:	(41,747)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$348,648

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Other Governmental</u> <u>Funds</u>	<u>Total Governmental</u> <u>Funds</u>
REVENUES:			
Taxes	\$30,821	\$	\$30,821
Other taxes	20,132		20,132
Tax administrative fees	5,217		5,217
Federal shared revenues	39,600	5,232	44,832
State shared revenues	73,361	33,224	106,585
Charges for services		4,820	4,820
Rental income	1,900		1,900
Interest	3,221	1,213	4,434
Sale of assets	9,209		9,209
Other revenue	4,539		4,539
	<u>\$188,000</u>	<u>\$44,489</u>	<u>\$232,489</u>
EXPENDITURES			
Legislative	\$23,064	\$	\$23,064
General government	45,944		45,944
Public safety	54,476	6,928	61,404
Public works	30,109	30,000	60,109
Recreation and culture	24,395		24,395
Other	3,591		3,591
	<u>\$181,579</u>	<u>\$36,928</u>	<u>\$218,507</u>
EXCESS OF REVENUES (EXPENDITURES)	6,421	7,561	13,982
OTHER FINANCING SOURCES (USES)			
Transfers to/from other funds	1,086	(1,086)	
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	\$7,507	\$6,475	\$13,982
Fund Balance at 3/31/2004	188,833	144,677	333,510
FUND BALANCE MARCH 31, 2005	<u>\$196,340</u>	<u>\$151,152</u>	<u>\$347,492</u>

The accompanying notes are an integral part of the financial statements

CARP LAKE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL
GENERAL FUND
Year ended March 31, 2005

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$23,000	\$23,000	\$30,821	\$7,821
Other taxes	18,500	18,500	20,132	1,632
Tax administrative fees	2,300	2,300	5,217	2,917
Federal shared revenues	45,000	45,000	39,600	(5,400)
State shared revenues	60,000	60,000	73,361	13,361
Rental income	2,000	2,000	1,900	(100)
Interest	160	160	3,221	3,061
Sales of assets	9,000	9,000	9,209	209
Other revenue	150	150	4,539	4,389
	<u>\$160,110</u>	<u>\$160,110</u>	<u>\$188,000</u>	<u>\$27,890</u>
EXPENDITURES				
Legislative	\$38,150	\$42,150	\$23,064	\$19,086
General government	45,560	45,560	45,944	(384)
Public safety	16,160	64,100	54,476	9,624
Public works	26,000	26,000	30,109	(4,109)
Recreation and culture	21,375	22,375	24,395	(2,020)
Other	9,000	9,000	3,591	5,409
	<u>\$156,245</u>	<u>\$209,185</u>	<u>\$181,579</u>	<u>\$27,606</u>
EXCESS OF REVENUES (EXPENDITURES)	3,865	(49,075)	6,421	55,496
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds	50,445	50,445	1,086	(49,359)
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	\$54,310	\$1,370	\$7,507	\$6,137
Fund Balance at 3/31/2004	188,833	188,833	188,833	
FUND BALANCE MARCH 31, 2005	<u><u>\$243,143</u></u>	<u><u>\$190,203</u></u>	<u><u>\$196,340</u></u>	<u><u>\$6,137</u></u>

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND
March 31, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$66,710
Accounts receivable-net	84,151
Deferred charges	4,360
Total Current Assets	<u>\$155,221</u>

NON CURRENT ASSETS-RESTRICTED ASSETS:

Cash	139,192
Total Restricted Assets	<u>\$139,192</u>

CAPITAL ASSETS:

Property, plant and equipment	5,895,479
Accumulated depreciation	(405,414)
Total Capital Assets	<u>\$5,490,065</u>

OTHER ASSETS;

Bond issue costs, net	\$18,244
TOTAL ASSETS	<u><u>\$5,802,722</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$5,457
Accounts payable-construction	9,646
Accrued wages	1,039
Due to other funds	874
Current maturity on long-term debt	16,000
Total Current Liabilities	<u>\$33,016</u>

LONG TERM LIABILITIES

Revenue bonds payable	1,551,000
Less current maturity on long-term debt	(16,000)
Total Long Term Liabilities	<u>1,535,000</u>

TOTAL LIABILITES \$1,568,016

NET ASSETS:

Investment in capital assets, net of related debt	3,939,065
Unreserved	295,641

TOTAL NET ASSETS \$4,234,706

TOTAL LIABILITIES AND NET ASSETS \$5,802,722

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUND TYPE
Year ended March 31, 2005

Operating revenues:	
Charges for services	\$151,752
Other revenues	1,927
Total Operating Revenues	<u>\$153,679</u>
Operating expenses:	
Personnel services/taxes and benefits	\$42,818
Purchases of services	5,351
Provision for depreciation/amortization	82,564
Operating supplies/maintenance	6,942
Operating permits	500
Utilities	24,849
Insurance	5,718
Administration	8,678
Office supplies	2,521
Communications	513
Professional fees	3,000
Printing and publications	753
Miscellaneous	1,190
Total Operating Expenses	<u>\$185,397</u>
Operating income (loss)	<u>(\$31,718)</u>
Non-operating revenues (expenses):	
Interest income	1,272
Sales of assets	9,200
Interest expense	(17,225)
Total non-operating revenue (expenses)	<u>(\$6,753)</u>
Net Income Before Contributions	
Capital contributions	2,947,546
Change in Net Assets	<u>\$2,909,075</u>
Net Assets - March 31, 2004	<u>1,325,631</u>
NET ASSETS – MARCH 31, 2005	<u>\$4,234,706</u>

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS TYPE
Year ended March 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$153,036
Payments to supplies	(149,534)
Payments to employees	(54,765)
Net Cash Provided (Used) by Operating Activities	(\$51,263)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	(3,668,601)
Capital contributions	2,947,546
Proceeds from bonds payable	758,000
Proceeds on sale of assets	9,200
Principal paid on bonds payable	(15,000)
Interest paid on bonds payable	(17,225)
Net Cash Provided (Used) for Capital and Related Financing Activities	\$13,920

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received on investments	1,272
Net Cash Provided (Used) by Investing Activities	\$1,272

Cash and Cash Equivalents, March 31, 2004	241,973
CASH AND CASH EQUIVALENTS, MARCH 31, 2005	\$205,902

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	(\$31,718)
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:	
Depreciation/amortization	82,564
Change in assets and liabilities:	
Accounts receivable	(38,431)
Prepaid insurance	136
Accounts payable	(53,765)
Accrued wages	(5,367)
Due to other funds	(4,682)
Net Cash Provided by Operating Activities	(\$51,263)

Noncash investing, capital and financing activities:

None

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year ended March 31, 2005

Agency Funds

	Tax Collection <u>Fund</u>	Trust & Agency <u>Fund</u>	Pension <u>Fund</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$2,215	\$235	\$4,515	\$6,965
TOTAL ASSETS	\$2,215	\$235	\$4,515	\$6,965
LIABILITIES				
Due to Township	\$2,215	\$80	\$	\$2,295
Due to Others		155		155
TOTAL LIABILITIES	\$2,215	\$235	\$	\$2,450
NET ASSETS				
Held in trust for pension benefits			\$4,515	\$4,515
TOTAL NET ASSETS			\$4,515	\$4,515
TOTAL LIABILITES AND NET ASSETS	\$2,215	\$235	\$4,515	\$6,965

The accompanying notes are an integral part of the financial statements

CARP LAKE TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION FUND
Year ended March 31, 2005

		Agency Funds
<hr/>		
	ADDITIONS	
Contributions		\$135
Interest income		2,727
	TOTAL ADDITIONS	<u>\$2,862</u>
	DEDUCTIONS	
Benefits and Transfers		\$69,564
	TOTAL DEDUCTIONS	<u>\$69,564</u>
Changes in Net Assets		(66,702)
Net Assets at Beginning of Year		<u>71,217</u>
NET ASSETS END OF YEAR		<u>\$4,515</u>

The accompanying notes are an integral part of the financial statements

CARP LAKE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

====NOTE A - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES=====

General Statement

Carp Lake Township operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended March 31, 2005, the Township implemented the new financial reporting requirement of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," these financial statements of the Township contain all the Township funds and components units that are controlled by or dependent on the Township's executive or legislative branches. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is place on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund - is the primary operating fund of the Township and always classified as a major fund. . This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds - are used by the Township to account for the proceeds of specific revenue sources such as Road, Fire, Building Inspections, Liquor Enforcement and Power Plant Funds that are legally restricted to expenditures for specific purposes.

Capital Project Fund - are used to account for financial resources to be used for the infrastructure improvements and environmental cleanup efforts at the White Pine Industrial Park.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Funds - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. They include the Tax Collections, Trust and Agency, and Pension Funds. These funds are custodial in nature and do not involve measurement of results of operations. The Pension Fund is a trust fund used to account for the accumulation of resources deposited into a defined contribution pension plan payable to retired employees.

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major and nonmajor funds as follows:

<u>Fund</u>	<u>Brief Description</u>
<u>MAJOR FUNDS</u>	
1. General	See above for description.
2. Sewer	Account for revenues and expenses of providing sewer services to the public.
<u>NONMAJOR FUNDS</u>	
Special Revenue:	
3. Roads	Account for revenues and expenditures of Road and sidewalk operations.
4. Liquor Law Enforcement	Account for enforcement of compliance with liquor law operations.
5. Fire	Account for separate tax levy.
6. Building Inspection	Account for revenues and expenditures of building inspection services.
7. Power Plant	Account for revenues and expenditures of environmental studies of potential power plant development.
Capital Projects:	and related costs incurred.
8. Industrial Park Cleanup	Account for revenues and expenditures of environmental studies concerning industrial park.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Budgets and the Budgetary Process

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
 2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
 3. Prior to April 1, the budget is legally enacted by the Township Board.
 4. Any revisions to the budgeted amounts must be approved by the Township Board.
 5. Budgets for the General Fund and Special Revenue Funds were adopted on a basis consistent with generally accepted accounting principles.
 6. Budgeted amounts presented in the financial statements are as originally adopted and subsequently amended.
- All budget appropriations lapse at year end.

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. See Note H for details of interfund transactions, including receivables and payable at year-end.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes; delinquent real property taxes; and tax administrative fees. Business-type activities report utilities earnings, grant funding and asset sales proceeds as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals, such as sales and grants and other similar intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when accrued. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and grant proceeds compose the majority of proprietary fund receivables. Estimated unbilled revenues are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year. The Township has adopted an ordinance effective September 1, 1999, which would allow for delinquent accounts to be added to the tax roll and can be a lien against real property. Receivables are considered fully collectable.

Inventories

The inventories of the Township's general and enterprise funds consist of small supplies which are considered to be immaterial and are not recognized in the financial statements

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical costs or estimated historical cost if actual cost is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Utility Plant	24-50 Years
Equipment	5-10 Years
Software/office equipment	3-5 Years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to cash accounts established to be used for capital projects and debt retirement for Proprietary Fund Types

The Governmental Fund has designated monies for future debt retirement on economic development activities.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations of proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of revenue bonds and an installment loan agreement with the State of Michigan pertaining to economic development.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Township's policies regarding vacation and sick leave time permits employees to accumulate earned by unused vacation and sick leave. The liability for these compensated absences is recorded as long-term in the government-wide statements. In the fund financial statements, the liability is reported as it is incurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and/or services. It also includes all revenue and expenses, not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:

Current (further classified by function)
Debt Service
Capital Outlay

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on revenue bond indebtedness during the lagoon and related artery construction phase was capitalized. The new lagoon was placed into service in December 2004, allowing for interest charges to be expensed to operations once the system became operational.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Deferred Loan Cost

Deferred loan costs consist of attorney fees and other costs paid in connection with receiving approval of new bond proceeds. The bonds acquisition costs (\$18,713) are being amortized to operations over the life of bonds (40 years). The current year amortization expense is \$468.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien of December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent tax rolls. The Township records real property taxes as revenue when levied and a corresponding receivable account established. The County advances the Township an amount equal to the delinquent real taxes turned over shortly after year end.

NOTE B – BALANCE SHEET - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in several financial institutions in the name of the Township. Michigan Compiled Laws authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the three highest classifications by not less than two standard ratings services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority. Furthermore, certificates of deposits values approximate market value.

The Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for deposits at year-end are as follows:

Cash deposited in banks insured by federal depository insurance	\$264,057
Cash on hand	50
Funds in excess of insurance limits	513,740
Less outstanding items	(228,616)
Total	<u>\$549,231</u>

Pension Trust Fund investments of \$4,515 were invested entirely in annuity contracts in accordance with State of Michigan statutes. Market value of \$4,515 as of March 31, 2005 approximates carrying value. The investments are not subject to categorization of credit risk.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectible are as follows:

Fund	Receivable	Allowance	Net
General Fund	\$20,296	\$	\$20,296
Power Plant-SRF	\$30,000	\$	\$30,000
Sewer Fund	\$84,151	\$	\$84,151

General Fund- majority of accounts receivable were for State Shared Revenues and delinquent tax receivables.

Proprietary Funds – (Sewer) Consist of grant receivable (USDA-\$27,946) on reimbursable expenses; pending sale of old waste water plant (\$9,200), customer unpaid balances and reimbursable utility expenses of \$1,927. Trade accounts receivable were comprised of the following at March 31, 2005.

Customer billing (pro-rata) for the partial month ended March 2005-	\$6,125
Delinquent billings	38,953
Total	<u>\$45,078</u>

Delinquent account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible.

NOTE D - SUMMARY OF TAX ROLL

Following is a summary of the 2004 property tax roll:

	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collected</u>
Real/Personal Property taxes:			
County	\$414,245	\$22,889	\$391,356
Township	30,923	1,708	29,215
CFR	38,697	1,237	37,460
Delinquent utilities	14,585	10,701	3,884
Totals:	<u>\$498,450</u>	<u>\$36,535</u>	<u>\$461,915</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Taxable Valuation

Homestead	\$12,084,520
Non-homestead	<u>13,461,878</u>
Total	<u>\$25,546,398</u>

NOTE E - DELINQUENT TAX RECEIVABLE

The County of Gogebic purchases the delinquent real property taxes of the Township for the 2004 levied. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these delinquent taxes shortly after yearend. The delinquent real property taxes are recorded as current year tax revenues.

NOTE F - LIQUOR LICENSE REBATES

Liquor license monies totaling \$1,747 were received during the year and were used to defray liquor law enforcement costs with the unexpended balance of monies transferred to the General Fund.

NOTE G - PUBLIC ACT 275 OF 1980 DISCLOSURE

The Township had no deficits in any funds as of March 31, 2005, which would require specific disclosure.

NOTE H - INTERFUND RECEIVABLES AND PAYABLE

The amounts of interfund receivables and payable at March 31, 2005, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General Fund-		Sewer Fund-	
Trust and Agency	\$80	General Fund	\$874
Tax Fund	2,215	Tax Fund-	
Sewer Fund	874	General Fund	2,215
Road Fund (SRF)-		Trust & Agency-	
General Fund	1,477	General Fund	80
		General Fund-	
		General Fund	1,477
TOTALS	<u>\$4,646</u>		<u>\$4,646</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I – CAPITAL ASSETS

A summary of changes in general fixed assets follow:

Governmental Activities	Balance at <u>March 31,</u> <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>March 31, 2005</u>
Capital Assets being Depreciated				
Equipment	\$	\$46,586		\$46,586
Subtotals	\$	\$46,586	\$	\$46,586
Less Accumulated Depreciation for:				
Equipment		(3,683)		(3,683)
Subtotals	\$	(\$3,683)	\$	(\$3,683)
Governmental Activities Capital	\$	\$42,903	\$	\$42,903
Total Capital Assets-Net of Depreciation				

The Township elected to capitalize capital assets effective April 1, 2004 and thereafter. A complete physical inventory has not been accomplished for Governmental Activities holdings. Depreciation expense of \$3,450 and \$233 was charged to Public Safety and Township Property, respectively, in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.

NOTE J - ENTERPRISE FUNDS – CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment at March 31, 2005 follows:

Business-Type Activities	Balance at <u>March 31,</u> <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>March 31,</u> <u>2005</u>
Capital Assets not Depreciated				
Land	\$50,000	\$	\$	\$50,000
Work under construction	886,405	3,608,116	4,494,521	
Capital Assets being Depreciated				
Equipment	3,473	60,485		63,958
Utility plant	1,287,000	4,494,521		5,781,521
Subtotals	\$1,290,473	\$4,555,006	\$	\$5,845,479
Less Accumulated Depreciation for Equipment and Utility plant	(323,318)	(82,096)		(405,414)
Net Capital Assets Being Depreciated	\$967,155			\$5,440,065
Governmental Activities Capital	\$1,903,560	\$8,081,026	(\$4,494,521)	\$5,490,065
Total Capital Assets-Net of Depreciation				

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Depreciation is computed using the straight-line method. The Township will need to allocate construction costs to various plant assets and determine useful lives. Abandoned and replaced assets will need to be removed from the accounts at the time the construction costs are allocated. Depreciation for new plant additions have been tentatively established at 50 years pending final allocations.

The new lagoon and sewer system was placed into operation December 2004, while final work items were scheduled for completion in the summer of 2005. In May 2005, one contractor filed suit against the Township for damages in excess of \$25,000. See Footnote P, Risk Management for additional disclosure.

NOTE K - ACCOUNTS PAYABLE

The Enterprise Fund's account payables were for normal expenditures and construction costs (\$9,646) at year end, whereas, the General Fund amounts were for normal accounts payable. The EDA program (State of Michigan DEQ) final payment to the Township was in excess of amount required (\$2,613) to close out the grant program. Power plant engineering costs were authorized and incurred but unpaid, pending receipt of State grant monies.

NOTE L - LONG-TERM DEBT

A summary of the changes in general long-term debt follows:

	Balance at <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>March 31, 2005</u>
Note payable	\$41,747	\$	\$	\$41,747
Revenue bonds payable	808,000	758,000	15,000	1,551,000
	<u>\$849,747</u>	<u>\$758,000</u>	<u>\$15,000</u>	<u>\$1,592,747</u>

Note Payable

Ontonagon County and the Township partnered, in a grant and loan arrangement with Michigan Jobs Commission in the development of infrastructure improvements in the industrial park. Upon program closeout, it was determined that \$83,455 was to be repaid by both parties, sharing equally. The annual payments of \$4,282 are being billed by the County to be repaid to MJS beginning October 2005. The loan is interest free and state shared revenues have been pledged as collateral. Future debt service payments are as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$4,282	\$	\$4,282
2007	4,282		4,282
2008	4,282		4,282
2009	4,282		4,282
2010	4,282		4,282
2011-2014	20,337		20,337
Totals	\$41,747	\$	\$41,747

Revenue Bonds Payable

In October 2003, the Township issued Sewage Disposal System Bonds (Limited Tax General Obligations, Series 2003, in the amounts of \$361,000 and \$1,205,000, bearing the interest rates of 4.25% and 4.5%, respectively. They were both single issue bonds purchased by USDA-Rural Development. As of March 31, 2005, the bond proceeds were drawn down in full and debt service payments began. As of March 31, 2005, the outstanding balances were \$357,000 for the series 2003B bond and \$1,194,000 for series 2003A bond. These bonds are payable by the Township from service proceeds, with principal payments due October 1 and interest due April 1 and October 1 of each year. A summary of changes in long-term revenue bond debt for the year ended March 31, 2005 are as follows:

	<u>Balance at April 1, 2004</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at March 31, 2005</u>
Series 2003B	\$361,000	\$	\$4,000	\$357,000
Series 2003A	447,000	758,000	11,000	1,194,000
	<u>\$808,000</u>	<u>\$758,000</u>	<u>\$15,000</u>	<u>\$1,551,000</u>

The annual aggregate maturities for the revenue bonds are scheduled as follows:

<u>Year ending March 31,</u>	<u>April 1 Interest</u>	<u>Series 2003 A</u>			<u>Series 2003 B</u>		<u>Totals</u>
		<u>October 1 Principal</u>	<u>October 1 Interest</u>	<u>April 1 Interest</u>	<u>October 1, Principal</u>	<u>October 1 Interest</u>	
2006	\$26,595	\$12,000	\$26,865	\$7,501	\$4,000	\$7,586	\$84,547
2007	26,325	12,000	26,595	7,416	4,000	7,501	83,837
2008	26,033	13,000	26,325	7,331	4,000	7,416	84,105
2009	25,740	13,000	26,033	7,246	4,000	7,331	83,350
2010	25,425	14,000	25,740	7,161	4,000	7,246	83,572
2011	25,088	15,000	25,425	7,055	5,000	7,161	84,729
2012	24,750	15,000	25,088	6,949	5,000	7,055	83,842
2013	24,390	16,000	24,750	6,843	5,000	6,949	83,932
2014	24,008	17,000	24,390	6,736	5,000	6,843	83,977

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ending March 31,	<u>Series 2003 A</u>				<u>Series 2003 B</u>		<u>Totals</u>
	<u>April 1_ Interest</u>	<u>October 1_ Principal</u>	<u>October 1 Interest</u>	<u>April 1_ Interest</u>	<u>October 1_ Principal</u>	<u>October 1_ Interest</u>	
2015	\$23,625	\$17,000	\$24,008	\$6,630	\$5,000	\$6,736	\$82,999
2016	23,220	18,000	23,625	6,503	6,000	6,630	83,978
2017	22,793	19,000	23,220	6,375	6,000	6,503	83,891
2018	22,343	20,000	22,793	6,248	6,000	6,375	83,759
2019	21,870	21,000	22,343	6,120	6,000	6,248	83,581
2020	21,375	22,000	21,870	5,971	7,000	6,120	84,336
2021	20,858	23,000	21,375	5,823	7,000	5,971	84,027
2022	20,318	24,000	20,858	5,674	7,000	5,823	83,673
2023	19,755	25,000	20,318	5,504	8,000	5,674	84,251
2024	19,170	26,000	19,755	5,334	8,000	5,504	83,763
2025	18,563	27,000	19,170	5,164	8,000	5,334	83,231
2026	17,933	28,000	18,563	4,973	9,000	5,164	83,633
2027	17,258	30,000	17,933	4,781	9,000	4,973	83,945
2028	16,560	31,000	17,258	4,590	9,000	4,781	83,189
2029	15,840	32,000	16,560	4,378	10,000	4,590	83,368
2030	15,075	34,000	15,840	4,165	10,000	4,378	83,458
2031	14,288	35,000	15,075	3,931	11,000	4,165	83,459
2032	13,455	37,000	14,288	3,698	11,000	3,931	83,372
2033	12,578	39,000	13,455	3,443	12,000	3,698	84,174
2034	11,678	40,000	12,578	3,188	12,000	3,443	82,887
2035	10,733	42,000	11,678	2,911	13,000	3,188	83,510
2036	9,743	44,000	10,733	2,635	13,000	2,911	83,022
2037	8,708	46,000	9,743	2,338	14,000	2,635	83,424
2038	7,628	48,000	8,708	2,040	14,000	2,338	82,714
2039	6,503	50,000	7,628	1,721	15,000	2,040	82,892
2040	5,333	52,000	6,503	1,403	15,000	1,721	81,960
2041	4,095	55,000	5,333	1,063	16,000	1,403	82,894
2042	2,813	57,000	4,095	701	17,000	1,063	82,672
2043	1,463	60,000	2,813	319	18,000	701	83,296
2044		65,000	1,463		15,000	319	81,782
	\$653,928	\$1,194,000	\$680,793	\$181,862	\$357,000	\$189,448	\$3,257,031

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M - FUND BALANCE DESIGNATIONS

The Township has General Fund Balance of \$20,131 for future economic development debt payments.

NOTE N - DEFINED CONTRIBUTION PENSION

The Township participates in a defined contribution, money purchase individual account pension plan for elected officials only. The Township Clerk administers the plan with the monies on deposit with Manulife Financial. The plan was established in 1969 and allows for immediate vesting by participants. Total pension expense was \$2,883 for the fiscal year ending March 31, 2005. The Township Board voted to discontinue the plan effectively April 1, 2005. The various participants made arrangements with the administrator to rollover their respective account to an Individual Retirement Account or take a taxable distribution. Majority of monies were distributed as of March 31, 2005 with the remaining balance accomplished in April 2005. Additional information was not available allowing for full disclosure.

NOTE O - ACCRUED LEAVE BENEFITS

According to a new personnel policy adopted, full time employees can accumulate the following leave benefits:

Annual Leave

Accrual of vacation time. Accrual date shall be employee's anniversary date.

- (1) Five working days after the first year of continual service employment
- (2) Ten working days after two years of continual service employment
- (3) One additional vacation day thereafter, up to a maximum of twenty (20) days per year
- (4) Vacation time may not be accrued during any period when the employee is on lay-off. His/her accrual resumes upon his/her reinstatement beginning as the day following his/her day prior to being laid off.

An employee who leaves the employ of the Township will be paid at his/her hourly rate or equivalent hourly rate (for salaried employees) for up to twenty (20) days of unused vacation time, unless the employee quits without providing notice to the Township. An employee whose employment has been terminated will be paid at his/her hourly rate or equivalent hourly rate for up to 20 days of unused vacation time. In the case of death of an employee, any earned but unused vacation benefit, up to twenty (20) days, shall be paid to the employee's estate.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Sick Leave

Each full-time employee, who have completed his or her probationary period shall earn one day of paid sick leave per month (accrued at the end of the month) with total accumulation not to exceed 120 days.

Employees may carry forward up to twelve (12) new days of unused sick leave annually until a maximum of 120 days has been accumulated. Accrued sick leave beyond the 120 day maximum will not be considered.

Upon resignation with proper notice, retirement or death, employees with ten or more years of service will be paid at their normal salary or hourly rate for their accrued sick leave, up to 30 days maximum. An employee who is dismissed or who resigns without two weeks formal notice forfeits any accrued sick leave compensation

One full-time employee was entitled to the above leave benefits, upon severance, received all accumulated leave benefits accrued during the fiscal year. There were no accruals recognized in the financial statements for the year ended March 31, 2005.

NOTE P - RISK MANAGEMENT

The Township is exposed to various risks of losses related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the respective fund type. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In May 2005, a Contractor filed suit against the Township for alleged additional costs incurred in excess of \$25,000 in the construction of a new lagoon and distribution system. The case has been filed in the Circuit Court, County of Ontonagon. Management has retained legal counsel in defending its actions and believes the claims are substantially without merit. The final outcome of such claim cannot be readily determined and no loss contingency has been recognized in the financial statements

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2005, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - CONTINGENCIES AND COMMITMENTS

In the normal course of operations, the Township receives loan and grant funds from various federal and state agencies from year to year. These programs are often subject to audit by agents of the lending and granting agencies, the purpose of which is to ensure compliance with conditions precedent to the awarding of funds. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

The former Township Board formally advertised for sale the waste water treatment plant now abandoned. An offer of \$9,200 was accepted, pending the completion of work items and final change order incorporated into the original contract awarded. Since the offer was accepted, the new Supervisor, also the successful bidder, is awaiting all final clearances/releases prior to completing the sales transaction.

NOTE R - RESTRICTED CASH ACCOUNTS

The Township has established various cash accounts that have been reserved for future debt service payments or restricted based upon purpose for which monies were received or by ordinance. Details are as follows:

General Fund:	
Debt Service Payments	\$20,131

Sewer Fund:	
Construction Account, this account used to received loan And grant proceeds to be used solely to pay for capital improvements.	\$151

Bond Reserve Account, these accounts are set aside in accordance with terms of the bond issues. The funds in these accounts shall be used solely for payment of principal and interest on the bonds as to which these would otherwise be default.	\$75,034
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Repair, Replacement and Improvement Account, this account are set aside in accordance with terms of the bond issues and actions by the Board. These funds are to be used for repairs, replacements, or improvements to the sewer system. If the amounts of bond reserve accounts are not sufficient to pay on the bonds when due, these monies may be transferred for that purpose.	\$64,007
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CARP LAKE TOWNSHIP
 MAJOR GOVERNMENTAL FUNDS
 GENERAL FUND
 DETAIL OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 Year ended March 31, 2005

REVENUES	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Current property taxes	\$23,000	\$23,000	\$30,821	\$7,821
Delinquent property taxes	1,500	1,500	95	(1,405)
Commercial forest reserve			2,725	2,725
Swamp taxes	17,000	17,000	17,312	312
Tax administrative fees	2,300	2,300	5,217	2,917
Total taxes	\$43,800	\$43,800	\$56,170	\$12,370
State shared revenues	60,000	60,000	73,361	13,361
Federal shared revenues	45,000	45,000	39,600	(5,400)
Rents	2,000	2,000	1,900	(100)
Miscellaneous	150	150	4,539	4,389
Sale of assets	9,000	9,000	9,209	209
Interest income	160	160	3,221	3,061
TOTAL REVENUES	\$160,110	\$160,110	\$188,000	\$27,890
Other financing sources-Transfer from other funds	50,445	50,445	1,086	(49,359)
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$210,555	\$210,555	\$189,086	(\$21,469)

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
LEGISLATIVE				
Township Board:				
Salaries			\$3,668	
Retirement			2,883	
Office supplies			142	
Professional fees			4,683	
Transportation			20	
Printing and publications			506	
Insurance			6,131	
Utilities			411	
Repairs and maintenance			1,830	
Dues			799	
Miscellaneous			1,515	
Training and education			476	
TOTAL LEGISLATIVE	\$38,150	\$42,150	\$23,064	\$19,086
 General Government:				
Supervisor:				
Salaries			\$7,800	
Office supplies			13	
Transportation			448	
Miscellaneous			39	
TOTAL SUPERVISOR	\$8,850	\$8,850	\$8,300	\$550
 ELECTION	 \$850	 \$1,850	 \$1,573	 \$277
ASSESSOR	\$8,850	\$8,500	\$9,229	(\$729)

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
Year ended March 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Clerk:				
Salary			\$7,800	
Deputy wages			90	
Office supplies			259	
Transportation			381	
Miscellaneous			25	
TOTAL CLERK	\$8,800	\$8,800	\$8,555	\$245
TOTAL BOARD OF REVIEW	\$1,350	\$1,350	\$561	\$789
Treasurer:				
Salary			\$7,800	
Supplies			257	
Transportation			15	
Contract cost			1,225	
TOTAL TREASURER	\$8,650	\$8,650	\$9,297	(\$647)
Township Property:				
Supplies			\$2,006	
Communications			1,657	
Utilities			4,697	
Repairs and maintenance			69	
TOTAL TOWNSHIP PROPERTY	\$7,560	\$7,560	\$8,429	(\$869)
TOTAL GENERAL GOVERNMENT	\$45,560	\$45,560	\$45,944	(\$384)

The accompanying notes are an integral part of the financial statements

CARP LAKE TOWNSHIP
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
PUBLIC SAFETY				
Fire:				
Wages			\$2,100	
Supplies			655	
Communications			1,242	
Utilities			2,870	
Repairs and maintenance			656	
Miscellaneous			360	
Training			949	
Equipment			43,786	
TOTAL POLICE PROTECTION	\$11,660	\$59,600	\$52,618	\$6,982
INSPECTIONS	\$	\$	\$520	(\$520)
ZONING	\$4,500	\$4,500	\$1,338	\$3,162
TOTAL PUBLIC SAFETY	\$16,160	\$64,100	\$54,476	\$9,624
PUBLIC WORKS				
Refuse cleanup	\$	\$	\$2,261	(\$2,261)
Street lighting	26,000	26,000	27,848	(1,848)
TOTAL PUBLIC WORKS	\$26,000	\$26,000	\$30,109	(\$4,109)

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
Year ended March 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
RECREATION AND CULTURE				
Parks:				
Wages			\$6,368	
Supplies			1,187	
Utilities			4,044	
Repair and maintenance			321	
Equipment			2,800	
TOTAL PARKS	\$11,700	\$12,700	\$14,720	(\$2,020)
LIBRARY	\$9,675	\$9,675	\$9,675	\$
TOTAL RECREATION AND CULTURE	\$21,375	\$22,375	\$24,395	(\$2,020)
OTHER				
Payroll taxes	\$8,000	\$8,000	\$2,991	\$5,009
Contributions	1,000	1,000	600	400
TOTAL OTHER	\$9,000	\$9,000	\$3,591	\$5,409

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS

CARP LAKE TOWNSHIP

Year ended March 31, 2005

	<u>Road Fund</u>	<u>Liquor Law Enforcement</u>	<u>Fire Fund</u>	<u>Building Inspections</u>	<u>Power Plant</u>	<u>Totals</u>
Assets:						
Cash in bank	\$118,814	\$	\$	\$	\$	\$118,814
Certificates of deposit	30,793					30,793
Account receivable					30,000	30,000
Due from other funds	1,477					1,477
Accrued interest income	68					68
Total Assets	<u>\$151,152</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$30,000</u>	<u>\$181,152</u>
Liabilities & Equity:						
Accounts payable	\$	\$	\$	\$	\$30,000	\$30,000
Due to other funds						
Total Liabilities	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$30,000</u>	<u>\$30,000</u>
Fund balance-unreserved	\$151,152					\$151,152
Total Equity & Liabilities	<u>\$151,152</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$30,000</u>	<u>\$181,152</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - SPECIAL REVENUE FUNDS
CARP LAKE TOWNSHIP

Year ended March 31, 2005

	<u>Road Fund</u>	<u>Liquor Law Enforcement</u>	<u>Fire Fund</u>	<u>Building Inspections</u>	<u>Power Plant</u>	<u>Totals</u>
Revenues:						
State shared revenues	\$1,477	\$1,747			\$30,000	\$33,224
Federal shared revenues	5,232					5,232
Interest income	1,203		\$10			1,213
Charges for services				\$4,820		4,820
Total revenues	\$7,912	\$1,747	\$10	\$4,820	\$30,000	\$44,489
Expenditures:						
Inspection costs				\$5,849		\$5,849
Public Works- Engineering					\$30,000	30,000
Liquor investigations		1,079				1,079
Total expenditures	\$	\$1,079	\$	\$5,849	\$30,000	\$36,928
Excess of revenue (loss) over expenditures	\$7,912	\$668	\$10	(\$1,029)	\$	\$7,561
Other financing sources (use)-Transfer to other funds		(668)	(418)			(1,086)
Excess (Deficiency) of Revenue and Other Financing Source Over Expenditures and Other Financing Use	7,912		(408)	(1,029)		6,475
Fund Balance 3/31/2004	143,240		408	1,029		144,677
Fund Balance 3/31/2005	\$151,152	\$	\$	\$	\$	\$151,152

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET –CAPITAL PROJECTS FUND

CARP LAKE TOWNSHIP

Year ended March 31, 2005

		EDA Industrial <u>Park</u>
Assets:		
Cash in bank		\$2,613
	Total Assets	<u>\$2,613</u>
Liabilities & Equity:		
Accounts payable-Due to State		\$2,613
Due to other funds		
	Total Liabilities	<u>\$2,613</u>
Fund balance-unreserved		
Total Equity & Liabilities		<u>\$2,613</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE –CAPITAL PROJECTS FUND

CARP LAKE TOWNSHIP

Year ended March 31, 2005

	EDA Industrial <u>Park</u>
Revenues:	
Property taxes	
State shared revenues	\$
Total revenues	<hr/> \$
Expenditures:	
Public works	\$
Excess of revenues over expenditures	<hr/> \$
Fund Balance-3/31/2004	<hr/> \$
Fund Balance 3/31/2005	<hr/> \$ <hr/>

The accompanying notes are an integral part of the financial statements

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CARP LAKE TOWNSHIP

Year ended March 31, 2005

Federal Grantor Pass-Through Grantor <u>Program or Cluster Title</u>	Federal CFDA <u>Number</u>	Program Award <u>Amount</u>	Federal <u>Expenditures</u>
US Department of Agriculture:			
Direct Programs:			
Water and Waste Disposal Systems for Rural Communities:			
Loan program-Phase II	10.760	\$1,205,000	\$758,000
Grant Program	10.760	\$1,971,000	\$1,476,546
Department of Commerce:			
Direct Program:			
Grant Program	11.300	\$1,471,000	\$1,471,000
Department of Homeland Security	Unavailable	\$39,600	<u>\$39,600</u>
Total Federal Expenditures			<u>\$3,745,146</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CARP LAKE TOWNSHIP

Year ended March 31, 2005

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Carp Lake Township, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Nor-Profit Organizations. Expenditures in this schedule are in agreement with the amounts reported in the financial statements.

2. Loans Outstanding – Carp Lake Township have 2 outstanding bonds as of March 31, 2005. Both are held by the U.S. Department of Agriculture for funding provided for construction projects as follows:

Series 2003-A, issued \$361,000 with an outstanding
Balance at March 31, 2005.

\$357,000

Series 2003-B, issued \$1,205,000 with an outstanding
Balance at March 31, 2005.

\$1,194,000

3. Sub recipients – Of the federal expenditures presented in the schedule. Carp Lake Township provided no federal awards to sub recipients.
4. The U.S. Department of Agriculture program was selected as a major program, Type A, using the risk-based audit approach and the 50% high-risk auditee coverage rule.

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Ironwood, MI 49938
(906) 906-3600

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Supervisor and Members of the Board
Carp Lake Township
White Pine, Michigan

We have audited the financial statements of Carp Lake Township as of and for the year ended March 31, 2005, and have issued our report thereon dated December 23, 2005. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Carp Lake Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*.

2005-1

The Township procured a vehicle and other equipment financed with Federal loan and grant proceeds without following formal bidding procedures. Documentation on file would indicate price quote(s) from sole source or a couple of vendors, without utilizing detailed bid specifications, were the basis in awarding such purchases. Due to the methodology utilized, there are no assurances that the Township's purchases were most advantageous to its citizens and funding source.

The Township should develop detailed bid specifications and advertise in an open and competitive environment on future purchases.

The Township Supervisor advised the items in question were purchased by the prior Board and any future purchases, would comply with State procurement laws.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Carp Lake Township for the year ended March 31, 2005, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Carp Lake Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions noted in our review are as follows:

1. The Township did not compile a complete listing of Governmental Fund Type assets to assure existence, condition and valuation to be used for insurable values and against potential types of losses. The Township lacks knowledge as to all of its actual holdings.

The Township needs to establish procedures in the taking of a Township wide fixed asset inventory of all holdings and incorporate into their review and procurement of insurance coverage.

2. The Township Board does not appear to provide adequate oversight over the fire department activities. Our review disclosed that grant monies were awarded by Homeland Security for fire department equipment purchases, whereas, the grant application and original invoices were retained by the fire department and were not available for review. Furthermore, invoices for equipment purchases were submitted to the Board for payment, whereas, the fire department personnel originated the purchase without Board's prior authorization. While the Board retroactively approved the purchases, it appears that the fire department is allowed to incur obligations on behalf of the Township without advance approval and considering budget constraints.

In the prior audit, it was disclosed that the Township's Fire Department has fund raising activities pursued in the Township's name. All bank accounts and financial documentation will need to be included in the Township's annual audit unless a separate legal entity has been established and recognized as being eligible to receive such monies.

A material weakness is a reportable condition in which the design or operation of one of more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider the above items to be a material weakness. We noted other matters involving internal control elements over financial reporting and its operations that require corrective action.

1. The Township had cash and investments on deposit that exceed the FDIC insurance coverage should a loss be experienced. The Treasurer should be instructed to research terms with other local banking institutions, allowing for monies to be invested in several banks in reducing the risk exposure.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above are believed to be a material weakness.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.



Roger J. Kolehmainen PC
Certified Public Accountant

December 23, 2005

Roger J. Kolehmainen PC CPA

1445 East Cloverland Drive

Ironwood, MI 49938

(906) 906-3600

**REPORT ON COMPLIANCE REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Supervisor and Members of the Board
Carp Lake Township
White Pine, Michigan

Compliance

We have audited the compliance of Carp Lake Township with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended March 31, 2005. Carp Lake Township's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Carp Lake Township's management. Our responsibility is to express an opinion on Carp Lake Township's compliance based on our audit.

We conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carp Lake Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Carp Lake Township's compliance with those requirements.

In our opinion, Carp Lake Township complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2005. However, the result of our auditing procedures disclosed one item of noncompliance that is required to be reported in accordance with OMB Circular A-133.

2005-1

The Township procured a vehicle and other equipment financed with Federal loan and grant proceeds without following formal bidding procedures. Documentation on file would indicate price quote(s) from sole source or a couple of vendors, without utilizing detailed bid specifications, were the basis in awarding such purchases. Due to the methodology utilized, there are no assurances that the Township's purchases were most advantageous to its citizens and funding source.

The Township should develop detailed bid specifications and advertise in an open and competitive environment on future purchases.

The Township Supervisor advised the items in question were purchased by the prior Board and any future purchases, would comply with State procurement laws.


Internal Control over Compliance

The management of Carp Lake Township is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Carp Lake Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should be used by anyone other than these specified parties.

December 23, 2005


Roger J. Kolehmainen PC
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CARP LAKE TOWNSHIP

Year ended March 31, 2005

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Carp Lake Township.
2. There were reportable conditions disclosed during the audit of the financial statements reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to financial statements of Carp Lake Township were disclosed during the audit.
4. There were one reportable conditions disclosed during the audit of the major federal award program reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Carp Lake Township expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major program is the U.S. Department of Agriculture C.F.D.A. Number 10.760 and Department of Commerce C.F.D.A. Number 11.3.
8. The threshold for distinguishing Type A programs was \$500,000. All programs were considered to be Type A.
9. Carp Lake Township was determined not to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS -- MAJOR FEDERAL AWARD
PROGRAMS AUDIT

2005-1

The Township procured a vehicle and other equipment financed with Federal loan and grant proceeds without following formal bidding procedures. Documentation on file would indicate price quote(s) from sole source or a couple of vendors, without utilizing detailed bid specifications, were the basis in awarding such purchases. Due to the methodology utilized, there are no assurances that the Township's purchases were most advantageous to its citizens and funding source.

The Township should develop detailed bid specifications and advertise in an open and competitive environment on future purchases.

The Township Supervisor advised the items in question were purchased by the prior Board and any future purchases, would comply with State procurement laws.

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS

CARP LAKE TOWNSHIP

Year ended March 31, 2005

The prior audit was performed in accordance with OMB Circular A-133. There were neither findings nor questioned costs relative to federal awards during the prior year audit.